

Docket Nos. 98-0252/0335 (Consol.)

Staff Exhibit 33.0

SURREBUTTAL TESTIMONY  
OF  
ROBERT KOCH

TELECOMMUNICATIONS DIVISION  
ILLINOIS COMMERCE COMMISSION

AMERITECH ILLINOIS  
DOCKET NOS. 98-0252/0335 (CONSOL.)

January 30, 2001

1   **Q.     Please state your name and business address.**

2

3   A.     My name is Robert F. Koch and my business address is 527 East Capitol Avenue,  
4           Springfield, Illinois 62701.

5

6   **Q.     Are you the same Robert Koch that filed direct and rebuttal testimony in this**  
7           **case?**

8

9   A.     Yes.

10

11   **Q.     What is the purpose of your surrebuttal testimony?**

12

13   A.     This testimony responds to the rebuttal testimony of GCI witness Charlotte  
14           TerKeurst and the surrebuttal testimony of AT&T witness Cate Conway Hegstrom.

15

16   **Q.     Ms. TerKeurst claims that new services and UNEs are included in the**  
17           **alternative regulation plan. Please comment.**

18

19   A.     On pages 7 and 8 of my direct testimony, Staff Exhibit 13.0, I state that new services  
20           and UNEs are excluded from the alternative regulation plan. Ms. TerKeurst makes  
21           a distinction between services being excluded from alternative regulation and  
22           services being excluded from the price cap mechanism. She claims that these

services are not excluded from other requirements of the plan, such as Section 13-506.1 of the Public Utilities Act. I concur with Ms. TerKeurst's statement. It was not my intention in direct testimony to claim that other provisions of the alternative regulation plan do not apply to new services or UNEs. My intention was merely to indicate that these are noncompetitive services that are not subject to the price cap mechanism.

**Q. Ms. TerKeurst states in her surrebuttal testimony that you recommend the removal of access charges from the Carrier Basket due to the volatility that would result from updating cost studies. Please comment.**

**A.** As I indicated in my direct testimony, volatility is one reason for removing access charges from the price cap mechanism. With respect to access charges I noted that that the API is too low to effectuate any price changes in the plan and that these rates are regulated outside of the plan. (Staff Exhibit 13.0 at 21-22). In my rebuttal testimony, I indicated that I had reconsidered my position concerning the removal of access charges from the Carrier Basket. I am no longer concerned about the API level or whether access charges could be reduced in the price cap mechanism. However, I do not recommend, as Ms. TerKeurst does, that each access charge be adjusted by the percentage change in the PCI. Therefore, volatility is still a potential problem under my proposal.

45 **Q. Why did you not recommend that access charges be adjusted by the**  
46 **percentage change in the PCI?**  
47

48 A. It is my opinion that any system of automatic adjustments to forward-looking costs is  
49 not consistent with the requirements of 83 Administrative Code Part 791, the  
50 Commission's cost of service rule. There is no direct relationship between the  
51 change in the PCI and the change in a LRSIC for a specific service. Any required  
52 change to a LRSIC resulting from a change in the PCI will not necessarily reflect the  
53 actual change in the forward-looking cost of service. However, if the Commission  
54 does not view Ms. TerKeurst's proposal as being inconsistent with existing cost of  
55 service rules, I recommend that her proposal be adopted because of its ability to  
56 eliminate volatility from the Carrier Basket.  
57

58 **Q. AT&T witness Hegstrom disagrees with your position that UNEs,**  
59 **Interconnection, and Transport and Termination services remain outside of**  
60 **the price cap mechanism. (AT&T Exhibit 1.0 at 7). Please comment.**  
61

62 A. As I stated in my rebuttal testimony, my opinion is that there is a distinct difference  
63 between the pricing requirements for access charges and UNEs, Interconnection,  
64 and Transport and Termination services. Whereas the Commission ordered a cap  
65 for access charge rates, it set the rates for these other services to be exactly equal  
66 to cost plus a mark-up for shared and common costs. I agree with Ms. Hegstrom

67 that there is nothing to prohibit reductions in rates for these services below the  
68 levels set in compliance with Commission orders, as long as the TELRIC for these  
69 services is also reduced. Therefore, if the Commission rules that it is appropriate to  
70 reduce TELRIC costs for these services automatically as part of the alternative  
71 regulation plan, then their inclusion in the price cap mechanism is proper.

72  
73 **Q. Does this conclude your surrebuttal testimony?**

74  
75 **A. Yes.**